



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
METCALFE COUNTY SHERIFF**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE METCALFE COUNTY SHERIFF

Calendar Year 2000

The Auditor of Public Accounts has completed the Metcalfe County Sheriff's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Fee account balances increased by \$121,978 from the prior calendar year, resulting in a cash surplus of \$121,759 as of December 31, 2000. Revenues increased by \$8,188 from the prior year and disbursements decreased by \$113,790. The Sheriff is due a refund from the county of \$5,170 for overpayment of excess fees.

Fee Pooling:

On January 1, 2000, the Sheriff's office started fee pooling with the county.

Debt Obligation:

The only outstanding loan as of December 31, 2000 was a \$5,170 personal loan from the Sheriff for the purchase of a vehicle.

Report Comment:

The Sheriff Should Prepare And Publish An Annual Settlement

Deposits:

The Sheriff's deposits were fully insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

| | |
|--|----|
| INDEPENDENT AUDITOR’S REPORT | 1 |
| STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES | 3 |
| NOTES TO FINANCIAL STATEMENT | 5 |
| COMMENT AND RECOMMENDATION | 9 |
| REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS..... | 13 |



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable D.M. Butler II, Metcalfe County Judge/Executive
Honorable Rondal Shirley, Metcalfe County Sheriff
Members of the Metcalfe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Metcalfe County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2000, in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated November 7, 2001, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable D.M. Butler II, Metcalfe County Judge/Executive

Honorable Rondal Shirley, Metcalfe County Sheriff

Members of the Metcalfe County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Sheriff Should Prepare And Publish An Annual Settlement

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
November 7, 2001

METCALFE COUNTY
 RONDAL SHIRLEY, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

| | | | |
|--|----|--------------|--------------|
| State Grants | | \$ | 268 |
| State Fees For Services | | | 4,568 |
| Circuit Court Clerk: | | | |
| Sheriff Security Service | \$ | 8,001 | |
| Fines and Fees Collected | | <u>2,490</u> | 10,491 |
| Fiscal Court | | | 53,859 |
| County Clerk - Delinquent Taxes | | | 669 |
| Commission On Taxes Collected | | | 73,285 |
| Fees Collected For Services: | | | |
| Auto Inspections | \$ | 5,256 | |
| Accident and Police Reports | | 158 | |
| Dog Tag License Fees | | 138 | |
| Carrying Concealed Deadly Weapon Permits | | 5,370 | |
| Serving Papers | | <u>7,393</u> | 18,315 |
| Other: | | | |
| Advertising Fees - Taxes | \$ | 1,239 | |
| Bail Bond Fees | | 380 | |
| Fees Collected For Other Counties | | 607 | |
| Sheriff's Add On Fees - 10% of Tax and Penalty | | 13,604 | |
| Bail Bonds Collected | | 6,606 | |
| County Fee HB 577 | | 1,350 | |
| Miscellaneous | | <u>137</u> | 23,923 |
| Interest Earned | | | 1,042 |
| Borrowed Money: | | | |
| Loan From Sheriff | | | <u>5,170</u> |
| Total Receipts | | \$ | 191,590 |

METCALFE COUNTY
 RONDAL SHIRLEY, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements

Operating Disbursements:

Materials and Supplies-

Office Materials and Supplies \$ 62

Auto Expense-

Vehicle Purchase 5,170

Other Charges-

Bail Bonds 6,492

Fees Paid To Other Counties 129

Dog Tag License Fees Paid To State 151

Postage 21

Miscellaneous 388 \$ 12,413

Borrowed Money:

Loan Repayment Due Sheriff 5,170

Total Disbursements and Unpaid Liability \$ 17,583

Net Receipts \$ 174,007

Less: Statutory Maximum 52,246

Excess Fees Due County for Calendar Year 2000 \$ 121,761

Payments to County Treasurer:

February 8, 2000 \$ 10,330

Less: Credit For 1999 Excess Fees

Paid February 8, 2000 8,691 \$ 1,639

Monthly Payments To County Treasurer-

March 2000 Through December 2000 61,347

State Payment For Sheriff's Fees Paid

Directly To County Treasurer

December 4, 2000 396

January 8, 2001 48,632

February 6, 2001 \$ 17,085

Less: Credit For 2001 Excess Fees

Paid February 6, 2001 2,168 14,917 \$ 126,931

Refund Due Sheriff At Completion Of Audit From Fiscal Court \$ 5,170

The accompanying notes are an integral part of the financial statement.

METCALFE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

METCALFE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Fee Pooling

On January 25, 2000, an ordinance was adopted by the Metcalfe County Fiscal Court setting up the Sheriff's fee pooling with an effective date of January 1, 2000. This ordinance stipulates that all net income and net fees less any refunds to customers shall be paid over to the county treasurer. Such payments shall be on a monthly basis and not later than the 15th of each month for the net income and net fees in the preceding month. The Sheriff shall draw no checks upon his fee account other than the checks to pay over his net income and net fees, and according to the County Treasurer, minor miscellaneous expenses. The expenses of and expenditures of the Sheriff's office shall be pre-approved and paid by the County Treasurer in accordance with the purchase order system adopted by the Metcalfe County Fiscal Court with the exception of payroll. The Sheriff shall certify to the Treasurer each pay period, the names and hours of each employee of his office and the Treasurer shall pay such payrolls without the necessity of any purchase order. The Sheriff shall be compensated at the maximum rate permitted by law.

COMMENT AND RECOMMENDATION

METCALFE COUNTY
RONDAL SHIRLEY, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

Calendar Year 2000

STATE LAWS AND REGULATIONS:

The Sheriff Should Prepare And Publish An Annual Settlement

The Sheriff has not prepared an annual settlement as required by KRS 134.310(5). KRS 134.310(5) states. . "[t]he sheriff shall file annually with his final settlement: a) A complete statement of all funds received by his office for official services, showing separately the total income received by his office for services rendered, exclusive of his commissions for collecting taxes, and the total funds received as commissions for collecting state, county, and school taxes; and b) A complete statement of expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses." In addition, the Sheriff did not publish an annual settlement in accordance with KRS 424.220(6), which requires financial statements to be published 60 days after the end of the calendar year. We recommend that the Sheriff's office prepare an annual financial statement or settlement for the fee account in the future, submitting it to the fiscal court for approval and publish the approved copy in the newspaper.

Sheriff's Response:

Sheriff's office will comply in the future.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable D.M. Butler II, Metcalfe County Judge/Executive
Honorable Rondal Shirley, Metcalfe County Sheriff
Members of the Metcalfe County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the Metcalfe County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated November 7, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Metcalfe County Sheriff's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying comment and recommendation.

- The Sheriff Should Prepare And Publish An Annual Settlement

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Metcalfe County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 7, 2001

